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ABSTRACT

This study describes and analyzes certain population, labor, and education issues in oil monarchies of the Persian Gulf. The countries profiled are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (also known as the GCC [Gulf Cooperation Council] countries). Since the discovery of oil, these countries transformed themselves in a similar way from desert sheikhdoms into modern states. Oil revenues, and especially the high oil prices in the 1970s and the early 1980s, allowed for their rapid development. Social changes followed economic growth. Tribal societies, largely of rural or nomadic character, converted themselves into highly urbanized ones, a development that brought a complete change in people's lifestyles. Today, the kingdoms are struggling with issues of unemployment, education, and work ethic as they attempt to fit young nationals into their economies. Although many of these countries employ expatriates as more than half of their labor force, public policy is encouraging more nationals to take their place in the workforce. In order for this to happen, the countries plan to upgrade their educational systems, subsidize work by nationals, force companies to hire more nationals, and try to modernize the work ethic and attitudes of natives of the countries. (KC)

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Crossroads of the New Millennium

Population, Labour And Education Dilemmas Facing GCC States At The Turn Of The Century

Prepared and Presented

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Seminar

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Abstract

This study attempts to describe and analyse certain population, labour and education issues in oil monarchies of the Gulf. The countries under consideration are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (further called GCC countries, after the organisation - the Gulf Co-operation Council - they established in 1981). Since the discovery of oil, these countries transformed themselves in a similar way from desert sheikhdoms into modern states. Oil revenues, and especially the high oil prices in the 1970s and the early 1980s, allowed for their rapid development. Social changes followed economic growth. Tribal societies, largely of rural or nomadic character, converted themselves into highly urbanised ones, a development that brought a complete change in people's lifestyles.

Population, Labour and Education Dilemmas Facing GCC States at the Turn of the Century

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This study attempts to describe and analyse certain population, labour and education issues in oil monarchies of the Gulf. The countries under consideration are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (further called GCC countries, after the organisation - the Gulf Co-operation Council - they established in 1981). Since the discovery of oil, these countries transformed themselves in a similar way from desert sheikhdoms into modern states. Oil revenues, and especially the high oil prices in the 1970s and the early 1980s, allowed for their rapid development. Social changes followed economic growth. Tribal societies, largely of rural or nomadic character, converted themselves into highly urbanised ones, a development that brought a complete change in people's lifestyles.

POPULATION GROWTH

The population of GCC countries rose from 4 million in 1950 to 27.7 million in 1997 – that is seven times (see Table 1).[1] In the United Arab Emirates (UAE), in less than half a century, the population increased almost 40 times.

Saudi Arabia has by far the largest population of the lower Gulf countries, being at any given time several times that of the combined population of the other countries. The exact size of the Saudi population has never exactly been known, with 1997/98 estimates ranging from 16.9 to 21 million. The sizes of the populations of Kuwait, Oman and the UAE are similar to each other - above 2 million in each country - while the populations of the two smallest states, Qatar and Bahrain, range between approximately 500,000 and 600,000.

Table 1. Population growth, 1950-97

(in thousands)

	1950	1960	1970	1980	1990	1997
Bahrain	116	156	220	347	503	620
Kuwait	152	278	744	1,375	2,143	2,153
Oman	413	505	654	988	1,524	2,256
Qatar	25	45	111	229	490	522
KSA	3,201	4,075	5,745	9,372	15,800	*19,500*
UAE	70	90	223	1,015	1,589	2,696
GCC	3,977	5,149	7,697	13,326	22,049	*27,747*

Source: Figures for 1970-1990 from *Gulf Statistical Profile*, p. 201; figures for 1997 – see Table 2 for details.

Notes: Numbers in normal script – the official figures; numbers in italics - independent estimates.

Overall, the population growth rates in GCC countries have been very high, with these states accounting for the fastest growing populations in the world over the last few decades. Of course, the population grew faster in the first decades of development, and slowed down somewhat when major labour-intensive construction projects were completed. In terms of numbers, the average annual growth rate for GCC countries in the decade 1950-60 was 2.6 per cent; in 1960-70, 4.1 per cent; in 1970-80, 5.6 per cent; in 1980-90, 5.1 per cent, and in the 1990s, it has been 3.4 per cent. In late 1990s that high population growth has continued in all GCC states, ranging from 3 to 7 per cent annually.[2] These rates have been the highest in the Middle East and rank at the top world-wide (the annual average growth rate for all countries in the world was 1.5 per cent in 1995; 0.2 per cent for the 'more developed' countries and 1.9 per cent for those 'less developed').[3]

The population is expected to continue to grow. Most of GCC countries are likely to have doubled their populations within the span of a single generation. Taking the average growth rate of over 4 per cent as seen in the 1990s as a base, the total GCC population would reach 230 million in the year 2050.[4] Although it is very unlikely, even impossible, that such an increase will occur, these projections stress the seriousness of the demographic problems for the future of the GCC states.

NATIONALS AND EXPATRIATES

In the past, the indigenous Arab populations of the Gulf countries were very small in number and local Arabs were in a clear majority among them. This population structure quickly changed after the discovery of oil because of the massive influx of foreigners necessary for its exploitation and the follow-up development.

In 1997, out of 27.7 million people living in the GCC states, about 17.1 million were nationals – that is 61.5 per cent of the total population, and about 10.7 million were foreigners, constituting 38.5 per cent (see Table 2 [5]). In Qatar and the UAE, nationals represented a small minority – around one-quarter of the population. In Saudi Arabia, Oman and Bahrain they constituted a larger proportion of the total population, but foreigners still make up a substantial part of the total numbers (30–40 per cent).

Overall, the population structure continues to be disadvantageous to the national populations. The percentage of nationals as part of the GCC total population declined from approximately 69 per cent in 1975 to 62 per cent in 1997.[6] Meanwhile, the percentage of expatriates grew in the same period from approximately 31 to 38 per cent. The UAE has become the only country where the share of nationals started to grow in the 1990s.

The average annual growth rate of national populations from 1985 to 1995 is 3.8 per cent, which is much lower than the previous decade when it stood at 5.8 per cent. The decline is mainly because of the lower number of naturalised persons in the later decade, as well as a lower birth rate, a phenomenon very typical of more developed countries.

The overall average annual growth rate of expatriate populations from 1985 to 1995 is 5.9 per cent, which although lower than in the previous decade (6.6 per cent), is still much higher than the comparable growth rates of the national populations.

As was the case for the total population, some projections can be also made for the future size of the national communities. Taking into account the most probable scenario - that is, an average annual growth rate for nationals of 3.5 per cent during the first decade after 1995 and declining by 0.5 per cent each subsequent decade - the GCC national population would pass the 60 million mark in the year 2050.[7] Projections for the expatriate community are, of course, much more uncertain, as their numbers can be decreased or increased rather quickly at short notice, in response to economic development and/or immigration and labour policies. Nevertheless, if the expatriate populations continue to grow at an average annual rate of 5 per cent, their size in the year 2050 would pass 130 million. The size of the expatriate community would be considerably lower if, as can be predicted, the growth rate continues to decline in the years to come.

The continuing rapid growth of national and expatriate populations constitutes a serious problem for GCC states. Despite huge oil and gas revenues, most of these countries find it increasingly difficult to cope with the costs of infrastructure development as well as the economic and social subsidies for enlarged populations. A former GCC Secretary General, Abdullah Bishara, has called this situation 'the greatest problem facing the Council'.[8] In Bahrain, Sheikh Mohammed bin Atiyatullah Al Khalifa, the Head of the Central Statistical Organisation, has warned: 'The population is growing at an alarming rate, and if this trend is not curbed, the consequences will have disastrous effects on services and limit job opportunities for the educated youth.'[9] The decision to significantly limit further population growth is, however, a difficult one to carry out as many nationals believe that the international prestige and security of their countries depend on the size of their population. They also view the population increase as a significant stimulus to economic growth.

Table 2. Populations of nationals and expatriates, 1997

	Nationals		Expatriates		Total
Bahrain	*384,100*	*61.0%*	*236,278*	*39.0%*	620,378
Kuwait	744,000	34.5%	1,409,000	65.5%	2,153,000
Oman	1,642,000	72.3%	614,000	27.7%	2,256,000
Qatar	*157,000*	*32.7%*	*365,023*	*67.3%*	522,023
KSA	*13,500,000*	*69.2%*	*6,000,000*	*30.8%*	*19,500,000*
UAE	*658,000*	*24.4%*	*2,038,000*	*75.6%*	2,696,000
GCC	*17,085,100*	*61.5%*	*10,662,301*	*38.5%*	*27,747,401*

Source: Bahrain – Central Statistical Organisation; Kuwait – The Public Authority for Civil Information; Oman – *Monthly Statistical Bulletin* (March 1998); Qatar – 1997 census estimates; Saudi Arabia – author estimates based on different reports[10]; UAE – the total population - Ministry of Planning data, *Annual Economic Report 1997*, breakdown for categories based on 1995 percentages.

Notes: Numbers in normal script – the official figures; numbers in italics - independent estimates.

In reality, pronatalist policies of GCC governments have enlarged the size of national populations. As substantial funds have been devoted to improving health services and promoting hygiene, proper nutrition and healthy living, infant and maternal mortality rates have fallen sharply, being about three times lower than world's average at the beginning of the 1990s. Meanwhile, life expectancy at birth has gone up considerably, rising by some 20 years in the last few decades and being about ten years above the world's average.

NATIONALS AND EXPATRIATES IN THE WORKFORCE

The dominance of foreigners is even more pronounced in the labour market than it is in the total population. In the GCC states, in 1997 there were some 7.5 million working expatriates as opposed to 3.2 million nationals (see Table 3). Expatriates constitute a majority of the

labour force in each country with an overall average of 69 per cent, reaching as high as 80-90 per cent in Kuwait, Qatar and the UAE. The lowest rate is that for Bahrain and Saudi Arabia, but even their expatriates still constitute over 60 per cent of the workforce.[11]

The expatriate share in the total workforce went up from about 51 per cent in 1975 to about 72 per cent in 1985. Only more recently, the situation begin to change, and the average expatriate share in the overall workforce decreased slightly to 70 per cent.

Conversely, the percentage of nationals in the workforce has decreased from 49 per cent in 1975 to about 28 per cent in 1985, only to shift slightly upwards to approximately 30 per cent by 1997.

The demand for foreign labour has continued along the GCC countries' development. Moreover, the expatriate inflow has been a self-feeding process. The employment of foreign workers increases the need for housing, services, consumer goods and so on, creating an additional demand for manpower that can be met only by more immigration.

The situation within labour markets has, of course, always depended on the state of the economy. Nevertheless, even when oil prices have declined, or when regional wars have required large, unplanned spending, GCC countries have had to adjust their development policies only to some extent. As a result of their huge capital reserves, it has usually been enough for them to temporarily cut some expenditure and limit certain projects. Only Bahrain has been the exception to this rule, often facing serious economic and social problems because of the lack of oil and due to Shi'ite-related unrest within the country. This situation, however, may change overall in the future as oil wealth continues to be in decline, at least in relative terms. Oil revenues in the 1990s constitute only about 30-50 per cent of the per capita level GCC countries experienced during the peak in the 1970s. Coupled with further population growth, this diminishing trend is likely to continue. Therefore development of human resources will remain particularly crucial to the overall development process.

Table 3. Nationals and expatriates in the workforce, 1995-97

	Nationals		Expatriates		Total
Bahrain	103,500	38.1%	168,500	61.9%	272,000
Kuwait	188,800	16.0%	991,200*	84.0%	1,180,000
Oman	270,000	35.2%	496,200	64.8%	766,200
Qatar	*22,000*	*18.4%*	*98,000*	*81.6%*	*120,000*
KSA	*2,500,000*	*35.7%*	*4,500,000*	*64.3%*	*7,000,000*
UAE	124,420	9.6%	1,165,234	90.4%	1,289,654
GCC	*3,208,720*	*30.2%*	*7,419,134*	*69.8%*	*10,627,854*

Source: Bahrain (1996) – Ministry of Planning; Kuwait (June 1997) – Public Authority for Civil Information; Oman (1995) - Ministry of Development estimates, *Five-Year Development Plan 1996-2000* (Muscat, 1996); Qatar (1996) – estimates based on 1994 figures for total workforce, *FAO Production Yearbook* and EIU *Country Profile 1996-97*; Saudi Arabia (1997) – Ministry of Labour and Social Affairs estimates; UAE (1996) – Ministry of Planning.

Notes: With so-called *bidoons*. Numbers in normal script – the official figures; numbers in italics – the independent estimates.

The supremacy of foreigners in the populations and labour markets of the GCC states has very serious security, political, economic, social and cultural implications. First of all, the authorities are afraid that their dependency on expatriate labour could lead to vulnerability in their governing systems. As many expatriates originate from the most politicised countries in the Middle East or from not necessarily friendly neighbouring states, the authorities have been worried about them working as a 'fifth column' for foreign powers and about them spreading radical foreign ideologies, which often propagated the overthrow of governments. Second, the expatriates' huge hard currency remittances have a negative impact on the GCC economies. Then, the negative impact of Westernisation on national cultures, on identities and values as well as on social

structures, remains a big concern. In particular, authorities are worried about the influence on local children from their Asian nannies or from the expatriate teachers who form the majority of the staff in local schools. They are also unhappy at the growing influence of foreign media and of foreign women married to nationals. Jamil al-Hujailan, the Secretary General of the GCC, stated in October 1998, that 'the problem of expatriate workers is starting to represent a danger for GCC nations'.[12] According to him, 'they pose grave social, economic and political problems that could grow more complicated in the future' and the only solution to those problems 'is to replace expatriate workers with nationals'.

The regimes' response to these threats has been to maintain as tight a control over the immigrant population as possible and maintain their separation from the rest of the population. The authorities have also been trying to limit the negative impact of foreign cultures by promoting the education of nationals, and by stressing the importance of maintaining Islamic values and Arab identity.

LOCALISATION OF THE LABOUR MARKET. THE ROLE OF EDUCATION AND TRAINING

Localisation (often also called nationalisation or indigenisation) and its specific variations (Omanisation, Kuwaitisation and so on) are the terms used in GCC countries to describe policies leading to the replacement of expatriate labour by nationals. Authorities in all these states try to implement such policies, as their constitutions require them to provide jobs for all citizens, and also because they well understand risks coming from the existence of large communities of foreigners on their territories.

On the long list of problems related to the dominance of expatriates, one of the most pressing is the issue of unemployment of nationals. This new phenomenon has developed as a result of the inability of the already saturated public sector to continue to hire the growing number of nationals entering the job market. At the same time, nationals face restrictions in seeking employment in the private sector because of its competitiveness. Moreover, some of them are subject to changing social relations, as young nationals cannot rely on family support as much as before. The problem of unemployment of nationals in GCC countries is, of course, different in nature from that in most other countries of the world. It is a 'masked' unemployment as,

simultaneously; these countries employ millions of foreign workers. Thus, it is more a question of integrating the national workforce into the labour market than the necessity to expand the economy and create new jobs.

The actual extent of unemployment among nationals is hard to estimate. The official figures are usually very low, while independent estimates, in contrast, are alarmingly high. For example, the UN Economic and Social Commission for Western Asia reported a rate of 14.8 per cent overall unemployment in GCC countries in 1991, and stressed that this figure does not reflect a widespread disguised unemployment of nationals in the public sector and voluntary unemployment from the unavailability of 'preferred' jobs.[13] Whatever the real figures, the problem of unemployment of nationals has been steadily growing. One reason for that is the population growth. The 15 to 30 age group is the fastest growing segment of the GCC population and half of the population is under the age of 15. This means that, in the next ten years or so, hundreds of thousands of young nationals graduating from schools will be looking for suitable employment opportunities. They will be better educated and have greater expectations. Another reason for unemployment is nationals' work ethic. Nationals are often disinclined to enter low-skilled posts while, at the same time, the educational systems are not well equipped to deal with the problem of how to reorientate traditional work values. In the majority of cases, nationals are ready to enter only occupations that are culturally acceptable, high in social status, typically 'modern' and connected with the white-collar environment. Such jobs are now usually not available, as public sector became saturated already.

Whatever the reason for unemployment of nationals, GCC governments have to find jobs for all of them. This will only be partially possible through the creation of new work places. To a large extent, it can be accomplished by the replacement of expatriates employed in the private sector. The authorities thus have to devise a system of teaching, recruiting, selecting, placing and training nationals, to suit the requirements of this highly competitive sector, while at the same time reducing the dependency on expatriate labour in such a way as not to affect the countries' development.

In an attempt to localise the workforce successfully, GCC governments have introduced various policy instruments affecting the quantity of the national labour (quotas and employment targets), prices (wage subsidies to the private sector, government wage restraint and fees, and

charges on foreign labour), as well as quality of it (education and training of nationals). The earliest measures applied were ones to guarantee the employment of large numbers of nationals. Laws were enacted giving nationals a priority in the labour market: an expatriate cannot be employed if a national with the required qualifications can be found. In the public sector, this law, of course, has been easy to execute. Employment in this sector was also met with great interest among nationals because of the prestige associated with the job, a non-competitive environment, and the fact that it has usually offered better salaries and less demanding work than the private sector. Therefore, the degree of localisation of the public sector has been high, ranging now from 40 per cent in the UAE and Qatar to 60-70 per cent in Oman and Kuwait and 90 per cent in Bahrain and Saudi Arabia.[14] Additional to quantity, thanks to the specific policies of the authorities, nationals have been put in top positions in the government (especially in ministries, the military and security services) as well as in the economy (especially in oil firms and banks because of their strategic importance). In reality, nationals are chief executive officers in almost all state-owned companies as well as heads of companies' branches and departments.

The process of localisation of the public sector, though much advanced, has not yet been fully completed. Even the armies in several GCC states continued to employ foreign mercenaries in the 1990s. The judiciary also has not yet been able to fully nationalise itself and most of the judges are still foreign.

In turn, in the private sector, the law giving nationals priority over expatriates has very rarely, if ever, been practised. Different obstacles created by private employers and lack of interest among nationals to look for jobs in this sector have caused its localisation to become very low in most of GCC states, with only Bahrain and Oman crossing the 30 per cent level. In Saudi Arabia and the UAE only 7-8 per cent of nationals work in the private sector.[15]

Employment in the private sector is usually not an attractive proposition for nationals as the salaries offered may be low, working hours long and the work environment difficult to accept, with its competitiveness and the necessity of accepting an expatriate supervisor. Moreover, working in the private sector, in contrast to the public one, is sometimes perceived as detrimental to nationals' social status, because under existing salary conditions such employment cannot guarantee compatibility with the image the consumer-orientated society has created for them.

To change this situation, in the 1990s GCC governments began to introduce quota systems for nationals in the private sector. They have either been applied universally or to selected occupations only. Companies were asked to reach specific localisation targets by certain dates or face heavy fines, the denial of visas for their new foreign employees or loss of public contracts for failing to comply. Moreover, some professions have been restricted as being 'for nationals only'. Nevertheless, in most cases companies have not fulfilled the legal obligations: publicly they claim a lack of sufficient number of nationals to take over jobs from expatriates; in reality they have used this argument as an excuse not to implement these rules.

A forceful approach to localisation, like the quota system, has been criticised as potentially harmful to the economy, at least in the short run. It may, after all, negatively affect the productivity and profitability of local firms, making them less competitive. The UN's Economic and Social Commission for Western Asia even warned GCC governments that forcing the private sector to employ nationals could adversely affect economic performance.[16] Similarly, according to International Monetary Fund economists, the imposition of quotas and administrative regulations could ultimately be counter-productive.[17] Also local experts have criticised many aspects of localisation. Henry Azzam, the chief economist at Saudi Arabia's National Commercial Bank, stated that localisation is 'forcing inefficiencies on the private sector'. 'It is telling the private sector that costs will go up ... The logical way would be to allow the choice of whom to employ.'[18] Many private businessmen share such opinions, claiming that they should not be forced to employ nationals above their market value, as otherwise they would incur unjustifiable losses.

To help nationals find proper employment, special attention has been devoted to the issue of education and training. All GCC countries have achieved substantial progress in education in the last few decades. In particular, nationals' illiteracy rates have substantially decreased (although they are still high by international standards, ranging from 15 per cent in Bahrain to 37 per cent in Saudi Arabia).[19] New schools, colleges and universities have been opened, and women have started to be admitted to all of them. At the same time, however, the educational system has not yet adapted well to the needs of modern economic development. As interaction between planners of education and planners of the economic and labour markets have usually been limited, educational systems have particularly failed to provide an adequate number of

accountants, business managers, engineers, computer specialists, doctors, nurses or teachers. For example, in the early 1990s, 37.5 per cent of graduates of the GCC schools completed work related to social and Islamic studies, 34 per cent in education, and only 18 per cent in technical fields and 10.5 per cent in business administration.[20] While general secondary education, perceived as relatively easy and appropriate, has always secured nationals a good government job, vocational education has been held in low esteem and science studies have been regarded as unnecessarily difficult. Moreover, as Ali M. Al Towagry, Director General of the Riyadh-based Arab Bureau of Education for the Gulf States, stated, most of the schools in GCC states have not been up to standard to say the least, with the programmes offered being 'predominantly theoretical and book-oriented'.[21] Abdallah Mograby from the Emirates Centre for the Strategic Studies and Research added to this evaluation, pointing out that 'too many educators are still using obsolete approaches, such as a heavy emphasis on memorisation instead of techniques designed to develop innovative thoughts ... with students lacking access to computers and technology'.[22] What has made the situation at schools even worse is the typically weak management of them, the employment of 'second category' teachers, large classes and a lack of co-operation with parents. As a result, there has been a high repetition of grades and a high dropout rate of national students despite the fact that graduation standards have been rather low.[23]

There has also been an important problem of how to combine a need to produce a modern, mainly Western-type of highly trained and motivated industrial workforce with the obligation of maintaining in this process traditional Muslim values. As Munira A. Fakhro described, the educational systems in the West win popular approval by avoiding indoctrination, and the students who learn to reason, win praise and climb to power in a technological society.[24] In the Gulf States, however, where Islamic teaching often dominates the educational systems, well-educated people are believed to be those who have learned the word of God. Students who prove their ability to memorise revealed truth correctly, and who can quote it in appropriate contexts, win acclamation and respect. Science must accommodate to this. As a result, schools often have problems to prepare students well for the requirements of modern economies.

As recently as the 1990s, GCC countries started to introduce meaningful changes in their educational systems. More modern curricula have been implemented, in particular stressing the

importance of computer literacy and emphasising the English language as the basic means of communication in the contemporary world. Nation-wide, standardised exams have also been introduced. Moreover, many new technical and vocational schools have been opened and job-orientated programmes promoted. At the same time, interest in vocational training among nationals has increased, as they begin to see the link between the growing number of unemployed people and their lack of adequate skills to meet labour market demands.

The other category of means adopted by the authorities to increase the localisation of the workforce consists of various financial incentives. In some GCC countries, governments started to give grants to private companies for each employed national, usually designed to cover the costs of their training. Not having their own financial resources, young nationals are provided with preferential loans to set up their own businesses. Pension schemes for nationals employed in the private sector have been introduced. The employment of nationals has also been promoted by giving priority to well-localised companies during state contracting by tender or in dealings with ministries of labour. Finally, proposals to subsidise salaries of nationals undertaking jobs in the private sector have also been formulated (including taxing foreign workers to obtain additional funds for that purpose).

In an attempt to accommodate the labour needs of nationals and to reduce their unemployment, GCC governments are not restricting themselves to the idea of replacing foreign manpower by the local one. They have also tried to find jobs by sending some nationals employed in the public sector to early retirement and by developing and restructuring industry. In particular, there are plans to replace low-tech, labour-consuming technologies based on the availability of low-paid foreign manpower with high productivity ones, which do not require a large number of imported workers, and which can attract nationals through good salaries and a prestigious high-tech environment.

One of the main obstacles to localisation of the workforce in GCC states is the limited overall size of the indigenous population. In small countries, such as Qatar, the number of jobs available (and necessary) to develop the country according to existing financial means exceeds the number of nationals. In this situation, the issue of employment of national women acquires special importance. In addition to the fact that their number can make a difference in itself, some experts believe that national women are also more cost-effective compared to national men or even

expatriates. They can also take some jobs that national men would be reluctant to accept - such as secretarial or administrative positions in schools or hospitals. Therefore, the authorities in several GCC countries began to promote the employment of national women, seeing it as a significant means of limiting the size of the expatriate labour.

Another problem for localisation is attitudes of private employers toward it. For many of them localisation is nothing to be happy about as there are very few incentives to hire nationals. Nationals are well protected by labour laws (in contrast to expatriate workers). In particular, they cannot be dismissed at the will of the employer, even if they do not work hard or are often on sick leave. They are not willing to accept certain types of job and resign if they are not satisfied. They need to be trained, as usually they lack the required skills and experience as well as a modern work ethic and motivation. They expect high salaries but short working hours and a single shift. Finally, they are less productive and therefore more expensive per unit of time than an expatriate.

The last argument - that employing nationals is more expensive than foreign workers - is, however, challenged by the authorities. Of course, it is true that Asians and non-Gulf Arabs are ready to work for much less money than nationals (because of different lifestyles and the huge disparities existing between the costs of living in GCC states and in their home countries). Though the overall cost of employing expatriates is comparable with that of hiring nationals because of the additional expenses associated with employing foreigners, these additional costs are often not taken into account (such as services provided for them that are subsidised by the state). Moreover, the national economy benefits from employing nationals as the money they earn remains in the country and is not remitted abroad as is the case with expatriates. For example, expatriates in Saudi Arabia in 1996 remitted US $18.6 billion abroad, which was representative of about 10 per cent of the GDP of the Kingdom.[25]

In general, to overcome existing difficulties, all three actors on this scene - the government, the private employer and the national employee - have to come to some basic agreement over their priorities. Governments have to commit themselves to localisation programmes much more than before and consequently implement the approved plans. In turn, private employers have to include in their reasoning some long-term national priorities and stop making decisions based just

on short-term financial benefits for themselves. Finally, individual nationals have to realise that the times of the welfare paradise have come to an end and that they must give more from themselves to secure their well being.

A step in this direction has been made during the decade of the 1990s. Localisation has become a very important national issue and has figured prominently in the strategic objectives of forthcoming development plans. Governments in several GCC countries have established high-ranking bodies - such as the Vocational and Training Authorities or the Manpower Councils - to integrate and make more efficient all the efforts undertaken by different ministries and agencies to localise the workforce. Special state-run offices for the employment of nationals were also opened. Moreover, GCC leaders have started to discuss this issue in their summits. The original GCC Statement on Objectives and Policies of Development provided a number of goals for national manpower development, such as enhanced educational opportunities, better health standards and better work conditions.[26] More recently, during the 1997 summit, a resolution was adopted by GCC rulers stipulating that the level of a company's job localisation should be the criterion for giving loans, tenders and other incentives to both local and foreign companies, and that the nationalisation drive should cover both public and private sectors. In turn, in the final communiqué of the 1998 summit in Abu Dhabi it was stressed that 'the GCC is working to strike a balance in the demographic and labour structure so as to guarantee harmony in the communities of the GCC to preserve its Arab and Islamic identity and to increase national participation in the economic life'.[27] Along with these policies, the GCC Supreme Council assigned to the newly formed Consultative Council the task of studying ways of providing jobs for nationals.

The problems outlined above clearly point out that GCC states face a formidable set of challenges in the twenty-first century. Population, labour and education dilemmas will not be easy to solve in a short period of time. They will require a lot of commitments and sacrifices. In particular, as Sheikh Mohammed bin Rashid Al Maktoum of Dubai said recently: 'To correct the demographic structure will take at least between 15 and 20 years' and 'It is not wise to do it in haste.'[28] In mean time, researchers and experts should study all these processes - not only to answer locally addressed problems but also to formulate and check important theoretical hypotheses of human development.

APPENDIX

THE LOCALISATION PROCESS IN GCC STATES

Despite attempts to co-ordinate localisation policies, they have been rather different in particular GCC countries and applied with varying degrees of commitment.

BAHRAIN

Bahrain has the highest percentage of nationals in the workforce among GCC states, accounting for 38 per cent of the total in 1997. Although 90 per cent of nationals are employed in the public sector, they also constitute as much as 32 per cent of the private sector workforce. For example, in the oil and aluminium sectors, the percentage of Bahraini workers reached 88 per cent in 1996; they constituted about 80 per cent of the banking staff and accounted also for 65 per cent of doctors and 45 per cent of nurses in government hospitals.[29] Despite these positive signs, the overall picture is not very optimistic. The percentage of nationals in the workforce continues to slide. The number of jobs available in the market declined as the performance of the economy worsened in the 1990s, mainly because of Shi'ite-linked tensions. Unemployment of nationals remains high, being estimated at 10-15 per cent (although the government maintains that it is low, about 2 per cent).[30]

The unemployment problem can be well illustrated by the situation in the education sector. The teaching staff in government schools is practically fully nationalised already (over 90 per cent) and cannot employ any new Bahrainis. At the same time the level of Bahrainisation in private schools is very low (some 8.5 per cent), but inadequate qualifications and salaries prevent newly graduated national teachers from finding work there and, as a result, they join the army of unemployed.[31]

To localise the labour force further, a far-reaching law was passed in 1995 requiring each newly established enterprise to employ 15 per cent of nationals during its first year of operation and 25 per cent during the following two years. Private sector firms that employ ten or more people have been obliged to raise the percentage of nationals by 5 per cent each year until they reach 50 per cent. Firms with fewer than ten workers must employ at least

one Bahraini besides the employer. Companies tendering for government contracts must keep to the specified percentages if they are to succeed, and they must use money that would otherwise be spent on importing labour on training programmes for nationals. Moreover, any new project must be started with at least 20 per cent of those involved being Bahrainis, with an annual 5 per cent increase then applying. Nevertheless, enforcing this law proved difficult, and so far only a few companies fulfilled its requirements. For a national to find employment in the private sector remains a difficult task. According to the study conducted by the Ministry of Labour and Social Affairs, private sector firms took the salaries of expatriate labour as the basis for deciding the wages for Bahrainis, making it impossible for them to find jobs that would allow them to meet their living standards and necessities.[32]

In such a situation, special efforts have been made to develop the training of nationals for industry and commerce. For that purpose, consequently, the National Manpower Council, the Supreme Council for Vocational Training and, finally, the Manpower Development Directorate were established. These institutions began to offer numerous vocational programmes for men as well as special handicraft courses for females. At the same time, several training institutions have been opened. The state-run Bahrain Training Institute became a role model for vocational training, increasing the number of trainees each year and broadening the scope of programmes offered. The Bankers' Training Centre also became successful, preparing nationals for jobs in the financial sector and being financed by a levy on banks operating in the country. The successes of these centres encouraged the government to establish similar training institutions in other sectors of the economy. Some large companies, such as Bahrain Petroleum, Bahrain Communication and Aluminium Bahrain, opened their own training centres and were exempted from the levy for that purpose. To encourage companies further to undertake such actions; the Council for Vocational Training proposed recently a plan, likely to be adopted, under which a company will receive bonds for every job seeker it trains. The bonds will be financed by increases in charges for new and renewed work permits for expatriate workers. Moreover, a much higher Bahrainisation target for private establishments - 75 per cent - was proposed, as well as that wages for Bahraini workers should not be less than 51 per cent of the total salaries paid by the companies.[33] The government, however, is aware of the fact that in the short term it will be difficult to find enough jobs for all nationals in the country (around 6,500 young Bahrainis enter the labour

market each year). It has therefore also been encouraging civil servants to take early retirement. To speed up this process pension payment has been raised. Moreover, the authorities have begun talks with other GCC states, the UAE in particular, to find ways to place Bahrainis in work abroad.

KUWAIT

In Kuwait, nationals comprise only 16 per cent of the workforce and their share in it continues to decline. Moreover, the overall situation for nationals in the labour market is worsening. For example, about 150 nationals graduating as engineers and over 500 other diploma holders were unable to find jobs each year in the mid-1990s.[34] In relative terms, however, unemployment in Kuwait is not such a big problem yet. It is estimated to be between 1 to 2 per cent.[35] A much bigger problem, however, has been underemployment within the public sector (the so-called 'masked' unemployment of Kuwaitis is estimated by some experts at 50 per cent).

Nevertheless, according to Kuwaiti authorities, the public sector can still absorb many nationals. They realise, however, that localising it is very costly. The Minister of Planning and Minister of State for Administrative Development, Ali Fahd al-Zumai, told parliament in January 1997 that 36 per cent of expatriates working in the public sector account for only 13 per cent of the total salary bill.[36] Replacing them with nationals, who would need to have higher salaries, would require a substantial increase of the budget, which already faced a deficit. Another problem is the low level of education and lack of appropriate skills of many Kuwaitis. As the Minister revealed, 44 per cent of nationals employed in the public sector did not have a secondary school certificate and only 20 per cent held university degrees. One reason for this situation is that, although education is compulsory and free for all residents of Kuwait, the quality of education in public schools is low. Even the graduates of Kuwait University find it difficult to compete for a job outside the public sector. In addition, a limited number of technical and vocational schools, guided by the General Commission for Applied Education and Training, have not been able to fill the demand for skilled labour, even for the prioritised oil industry. As a result, many Kuwaitis entering the workforce are effectively semi-skilled and able to fulfil only basic clerical or manual jobs.

Despite all these obstacles, the authorities are planning to replace 10 per cent of foreigners in the public sector by nationals each year, as well as reducing the yearly budget allocation to non-Kuwaiti labour by a similar percentage. In turn, to increase the localisation of the workforce in the private sector a number of far-reaching measures have been proposed by the government: establishing the minimum percentage of Kuwaitis each company is required to have; a time frame for replacing the remaining expatriate staff in the ministries with nationals; incentives for training nationals; subsidising the salaries of Kuwaitis in the private sector and linking facilities granted to a private business with the number of Kuwaitis it employs. When such proposals will be implemented is, however, difficult to predict as in Kuwait they require the acceptance of parliament where there is always some opposition against such measures. Many parliamentarians represent the interests of private business, which is not necessarily consistent with the overall national goals. In effect, the only measure effectively adopted so far to alleviate the situation was the establishment of the special fund to help nationals open small business enterprises if resign from the public job. To overcome clashes with parliament, the Emir of Kuwait issued some decrees when parliament was dissolved in May 1999. Private firms with a capital over 500,000 dinars would have to pay 2.5 per cent of their net profits into a special fund, which will subsidise Kuwaitis employed by the private sector. Moreover, the state would pay unemployment insurance to any of the Kuwaitis who failed to find jobs. A quota system for nationals in the private sector would also be established. Penalties would be enforced against firms that failed to meet the requirements, while state tenders would give priority to firms that met them.

OMAN

Oman, like Bahrain, belongs to the group of less-rich monarchies. As a result, many nationals can be found in various jobs and overall they comprise about 35 per cent of the labour force.

The localisation of jobs in Oman was put on the government's agenda very early. The Education and Training Council chaired by the Sultan was established in 1977. The Ministry of Social Affairs and Labour, through its Directorate General of Vocational Training, established several Vocational Training Institutes in different regions of the Sultanate in the mid-1980s. Oman Technical and Industrial College, the Institute of Health Services, the Institute of Public Administration and the Institute for Bankers were also set up. State-owned oil companies - such

as Oman Petroleum Development and Oman Refinery Company - established in-service training and educational programmes for their Omani employees. At the same time, the authorities began to involve the private sector in such programmes. The Training-Levy Rebate Scheme was introduced to reimburse private employers for the costs of training courses for Omani nationals.

The first sector the government decided to nationalise was banking, attractive for nationals because of high salaries and the prestige associated with the job. Omanis quickly dominated this sector and in the 1990s constituted 85 per cent of all bank employees. Programmes to Omanise fully some other sectors - nursing, for example - were established as well. At the primary school level, 95 per cent of teachers are already Omanis; in the whole public school system 57 per cent of teachers are nationals.[37] By 1997, about 70 per cent of all government employees (excluding military) were Omanis, with several government departments becoming almost 100 per cent localised.[38]

In 1994, Oman became the first country in the GCC to introduce legal requirements for the localisation of the private sector. The Ministry of Social Affairs and Labour imposed an Omanisation percentage according to a sectored quota system: banking - 90 per cent; transport, storage and communication - 60 per cent; finance, insurance and real estate - 45 per cent; hotels and restaurants - 30 per cent; wholesale and retail - 20 per cent; and contracting - 15 per cent. Several categories of jobs, such as fishing, animal husbandry, driving light vehicles or practising traditional handicrafts, were reserved for nationals only. The plan aims to increase the percentage of Omanis in the private sector to 27 per cent by the year 2000 (from 17 per cent in 1995). This would bring the overall localisation of the workforce to 40 per cent.

Companies were originally asked to reach the targeted percentages by the end of 1995 or face heavy fines, the denial of visas for importing labour and the loss of public contracts for failing to comply. Nevertheless, the implementation of this ambitious programme had to be postponed. Most of the private companies were not ready to fulfil the legal obligations, claiming a lack of sufficient numbers of properly skilled Omanis to take over jobs from expatriates. The truth, however, was that all too often, private companies did not take the issue seriously and did very little (or nothing) about it. A major problem has been the different salary expectations between expatriate and local labour. Many expatriates from Asia are ready to work for 60 rials (US$160)

a month while the minimum wage required for an Omani secondary school graduate is 200 rials (US$550). Of course, private companies prefer to employ the former. Nevertheless, thanks to the government involvement, 20,000 Omani nationals replaced expatriates in the private sector in 1998, with a target for 1999 being set at 25,000.[39]

In the Fifth Five-Year Development Plan (1996-2000) it was stated that there was a need to attach greater importance to human resource development. This means 'upgrading and developing ... basic education to the level of distinguished international standards', and 'expanding the area of technical education and vocational training, and directing most of the basic education graduates towards these areas'.[40] To fulfil these goals, the Supreme Committee for Vocational Training and Labour was established (replacing former bodies of this kind). Ministers of national economy, commerce, industry and development became its members. The Committee's executive arm, the Vocational Training Authority, has been entrusted with the task of initiating programmes to increase the number of trained professionals and technicians. Thanks to the Authority's initiatives, several technical colleges and vocational training centres have been established. Moreover, significant budget allocations have been made since 1996 for training schemes for nationals, including those for women. The government has also decided to use for that purpose funds generated from the tax imposed on companies for hiring expatriate workers. Additionally, the authorities have expanded earlier schemes and have begun to reimburse private companies for employing Omanis, covering the entire cost of their in-job training and 50-80 per cent of their salaries for the first few months.

The Vocational Training Authority has adopted the British National Vocational Qualification System to help boost human resources development. It puts equal emphasis on real-life experience and classroom theory, and to a large extent tackles satisfactorily the problem of secondary school leavers. Only those educational institutions that satisfy the system's requirements are entitled to apply for government subsidies. To expand educational possibilities further, as Sultan Qaboos University and a few other existing public colleges are only able to enrol 15 per cent of high school graduates; the establishment of private colleges has been allowed.

Other actions have also been initiated. First of all, in 1997 the Omani government decided to require the early retirement of more than a fourth of its Civil Service and to secure in such a way a number of jobs for young nationals. Second, 1998 and again 1999 were proclaimed as the Year of the Private Sector, with the aim of promoting further development of this sector and the localisation of private establishments. In particular, companies employing a large number of Omanis and organising training programmes for them became eligible for special 'green cards' from the Ministry of Social Affairs, Labour and Vocational Training, giving them priority in expediting their labour-related transactions at the Ministry. To help create new jobs for graduates, the Fund for the Development of Youth Projects was launched in 1998. Sultan Qaboos and other members of the royal family were the first donors to the fund. Finally, a decision was made to implement strictly the 1994 law, and fine establishments that did not meet the quota requirements. Gas stations were the first companies where this measure was adopted. The authorities suspended labour cards of expatriate employees in gas stations that were not 50 per cent Omanised. In the step that followed, all school bus and tractor driver positions were set aside for nationals. Barbers, tailors and gas cylinder distributors were added to the list of occupations reserved for Omanis only. Moreover, the government asked all private companies employing 50 or more local workers to have an Omani director of personnel by the end of 1999 and announced that it would no longer grant expansion loans to companies that had not reach Omanisation targets.

Despite all these efforts, unemployment among nationals is currently about 12 per cent. The authorities revealed that, in 1998, the number of Omanis seeking jobs was over 30,000.[41] The attitude of young Omanis towards jobs has not always changed. Young people still prefer to work in the ministries or to begin their careers in high managerial posts. Even when they realise that this is not possible, and face unemployment, they not necessarily apply for technical or clerical jobs outside the public sector. The Minister for Social Affairs, Labour and Vocational Training, Amor bin Shuwain Al Hosni, appealed to them recently, saying that Omanis should seize the jobs that are available rather than wait for the choicest ones. 'We cannot wait for foreigners to cook for us, drive our cars and tailor our clothes ... no work is inferior.' [42] Sultan Qaboos went even further and denounced what he called 'the laziness' of the present generation, which is no longer willing to perform manual labour.[43] At the same time, the Chairman of the State Council, Sheikh Hamoud al-Harifhi, warned men in Oman 'against the consequences of

their laziness, because women are taking their due role in all ministries, establishments and areas of production and are scoring superior positions'.[44]

Localisation in Oman faces a number of problems. In a study by Asya Mohamed Suleiman Al-Lamky, 65 per cent of Omani graduates indicated that they were not able to replace expatriates at work due to lack of appropriate education and training.[45] According to Fawzia Al-Farsi, the major obstacles to Omanisation are: lack of awareness among expatriates of their responsibility to train nationals and inadequate co-operation from expatriates in this respect as a result of their fear of losing employment, lack of clear policy and Omanisation targets; continued preferential treatment of expatriates over Omani nationals in the private sector; insufficient opportunities for Omanis to be given responsibility at work, inappropriate Omani work attitudes and limited commitment.[46] Moreover, the localisation of the workforce in Oman, as in other GCC countries, has not been welcomed by everybody. Some businessmen have expressed their criticism of enforced localisation. They believe that 'Omanisation cannot be based on converting the private sector into charitable institutions, forcing it to absorb nationals'.[47] Others point out that localisation should not be speeded up as this may cause serious problems; for example, as was the case when expatriate water-tanker drivers were replaced by nationals, resulting in a poor supply of water.[48] On the other hand, there has also been criticism that localisation policies have not been enforced firmly enough. In 1998, the President of the Shura Council, Abdullah bin Ali Al Qatabi, called for a review of Omanisation policies, since an increasing number of expatriates have continued to arrive in the Sultanate to take up employment.[49] Nevertheless, in comparison with other GCC states, the localisation of the Omani workforce has been quite successful so far.

QATAR

In Qatar, the very small national population and the huge investment projects related to the development of gas fields made the existence of foreign labour in the 1990s even more necessary than was the case of some other GCC countries. It is highly unlikely, then, that substantial nationalisation of the workforce will be possible in the foreseeable future. At the moment, even in the public sector, Qataris do not form a majority of the workforce - they constitute only about 45 per cent of the total. Nevertheless, the government, which is aware of the problem of expatriate dominance, has been taking some actions to maximise the national potential. Certain

legal and financial incentives have been introduced to increase the number of Qataris in joint-venture industries and government departments. The authorities are also seeking to reform the weak educational system and to focus on job-related skills. For that purpose, the ten-year plan of co-operation between the University in Doha and the government was signed in 1995. It requires the creation of many academic programmes directly linked to the needs of Qatar's expanding economy. The specialised College of Trade and Industry and Qatari Technical College were established. To attract Qataris to enter technical jobs, the government has decided to pay salaries to students who take industrial training courses. To promote higher education, the first graduates from the university were given top jobs in government ministries despite their lack of experience.

Localisation in Qatar is limited and it will remain slow. According to Dr. Abdulrahman Hassan Al Ibrahim, Vice-President of Qatar University, there are several reasons for this situation. 'Firstly, until recently, the civil bureaucratic sector has been able to absorb most of the national labour force; secondly, reliance on the extended family has made it normal for young Qataris to rely on their parents wealth, and thirdly, there is still a lack of appreciation of vocational jobs.' [50]

SAUDI ARABIA

In Saudi Arabia, the necessity of localising the workforce was recognised very early. The Labour and Workers Regulations issued in 1969 stipulated that 'every employer shall improve his Saudi workers' level of technical proficiency in order to enable them to be sufficiently qualified in their occupation so that they can replace non-Saudi workers; he shall prepare a register wherein he shall enter the names of Saudi workers who have replaced non-Saudi workers, according to terms, rules and time limits prescribed by the Labour Minister ...' [51] The government decreed in 1970 that 75 per cent of the workers of all businesses operating in the country should be Saudi and that they should receive at least 51 per cent of the company's total compensation.[52] To tackle the problem of national human resources development, the Manpower Council was established in 1980. The consecutive Five-Year Development Plans envisaged the creation of new jobs for nationals, including women, and the substantial reduction of dependence on foreign manpower. In particular, the Third Development Plan (1980-85) assumed that in the government sector all 'fit and able' young Saudis occupying unskilled non-cadre positions would

be progressively sent to career development educational programmes.[53] At the same time, the authorities planned to ask the private sector to develop training programmes, and to give any significant government loans conditionally on the company's training schemes organised for nationals. To encourage Saudis to participate in such programmes and seek employment in technical and skilled jobs, the government intended to introduce a system of incentives for them. According to the Plan, the school curricula were to be reviewed 'to better serve the changing needs of society and economy'. Grants for university students were to be limited to those who maintained a good level of proficiency, and who were specialising in subjects that were considered to require extra encouragement. Areas of work for women 'which do not conflict with the principles of Islam' were also to be identified. The last Plan, for the years 1995-2000, called for the creation of 659,900 new jobs by the end of the century, not least because around 120,000 new graduates leave schools every year looking for jobs, including 30,000 college or technical institute degree holders.[54] Some 319,500 of these new places are to come from the replacement of expatriates and the rest from the creation of new jobs, mostly in industry. In reality, however, many of these ambitious plans did not materialise. Consecutive Developments Plans had to address them over and over again as applied strategies either failed to work or were never effectively implemented.

In the public sector, a high level of localisation has been achieved already and plans are under way to complete the task quickly, at least in certain sectors. For example, all teaching posts are planned to be completely Saudised by the year 2001. It is possible to achieve this goal as only 15 per cent of teachers were foreign by 1998, most of them working in the remote regions where Saudis do not want to work or teaching certain specialised subjects.[55] Along this approach, in 1999 the authorities terminated the services of nearly 16,000 expatriate women teachers who had completed ten years at various schools in the Kingdom.[56] These teachers are to be replaced by Saudi women who have graduated from colleges and universities.

In contrast to the public sector, the private sector, which generates the majority of jobs in the country, only employed about 7 per cent of Saudis in the mid-1990s. Only a very few private branches became well Saudised, notably banks or taxi companies. According to the Fifth Development Plan (1990-1995), the private sector was planned to absorb 95.9 per cent of the new jobs for Saudis but was only able to absorb 16 per cent annually.[57]

Unemployment of many Saudis has remained a serious problem. The Ministry of Planning revealed that only 29.9 per cent of working age nationals had jobs in 1990: 5.3 per cent of women and 54.4 per cent of men.[58] The Economist Intelligence Unit claims that the government admits to some 100,000 unemployed Saudis. Other estimates put the number at one million or 20 per cent of the labour force.[59] The authorities are no longer able simply to create all the necessary new jobs in the public sector and have to find other solutions. The government sector apparently absorbs only 5 per cent annually of the new Saudi entrants in the labour market.[60]

The issue was discussed during one of the sessions of the Majlis al-Shura in 1995 with appropriate resolutions being adopted. The government regulations that followed, stipulated that private companies must increase the number of Saudi employees by 5 per cent each year; otherwise existing work permits for expatriates would not be renewed. This means that private establishments are expected to show 30 per cent Saudisation by the year 2000. Moreover, a list of occupations was announced – such as drivers, receptionists and office assistants – where only nationals can be employed (unless they cannot be found). Fourteen additional work categories were reserved for Saudis in October 1996, including personnel managers, treasurers, auctioneers, custom clearance officers, security guards and all jobs in the insurance sector. Penalties for not meeting the quotas include the disqualification of firms from bidding for governments contracts; not permitting them to hire more expatriates; rejecting renewals of foreign workers' residence permits; and removing firms' eligibility for preferential loans from state-financing bodies. Transport companies serve as good examples of how these policies have been implemented. They can now obtain a licence to operate only if they are 100 per cent Saudised and the Ministry of Communication monitors radio communication with the drivers to establish any irregularities. The Labour Ministry has also introduced regulations that favour Saudis when new job openings become available. Private companies have to announce vacancies in the press, give Saudi job-seekers priority in hiring and get prior approval from the Ministry for any conditions stipulated in the advertisement (for example, that the post requires knowledge of a foreign language - a typical measure used by private companies to secure expatriate hiring as many nationals can not meet this requirement).

Nevertheless, lack of visible progress in the localisation of the country's workforce prompted the Majlis al-Shura regularly to place the issue on its agenda. During its discussions in the years 1997-99, the Council stressed the importance of establishing various incentives for the private sector to hire nationals and provide on-the-job training for them, the necessity to create a national data centre to collect information related to the manpower market and to revise programmes of academic institutions to meet manpower requirements. It also urged the public media to highlight the government's drive to localise jobs in the private sector. At the same time, the authorities began to study other proposals: changes to the social insurance system, aiming at increasing the cost of schemes for foreign workers as compared to nationals, the introduction of fixed-term work contracts for Saudis to prevent them from leaving jobs precipitately and the granting of monthly allowances to graduates until they find jobs. The authorities seem to realise the seriousness of the problem. During the Majlis al-Shura session in February 1997, Prince Naif said that 'Saudisation has become an urgent national issue that requires joint efforts by the government and the private sector'.[61]

In the Kingdom, as in all other GCC countries, serious obstacles to localisation still exist. One is the lack of a work ethic among nationals. According to a study, 'clock-watching' is costing the state budget 1.5 billion rials (US $397 millions) a year: late arrivals lead to wastage of more than 5 million work hours a year, leaving the desk and chatting with colleagues - 19 million work hours, absence without excuse - 30 million work-hours.[62] There is still relatively little acceptance by Saudi nationals of the principle that work can be a duty to society or that manual work is honourable in its own right. Realising the existence of this problem the Interior Minister and Chairman of the Manpower Council, Prince Naif Bin Abdel Aziz, urged young Saudis 'to be ready to do any job, no matter how insignificant and have the competence to take up the challenge of certain jobs'.[63] In turn, a well-known scholar, Khalid Saad Bin Saeed, pointed out that Saudis, as a nation, are not culturally and psychologically prepared for Saudisation.

Therefore:

Young Saudis need to be trained and educated regarding the basic principles and ethics of work inculcating in their minds the importance of being a hard worker, love for work and service to others, and commitment to one's job. This means showing the value not only of high positions

and high-paying jobs, but more importantly, to make the younger generation appreciate even the blue-collar jobs that have been traditionally done by expatriates. [64]

The low salaries offered in the private sector create another obstacle in the localisation process. To tackle it, a new salary scale was recently proposed. The proposal recommends that nationals in each job category should be paid twice as much as expatriates. Nevertheless, expectations of nationals usually go much higher than this.

Another problem in finding employment for Saudi nationals is the outdated educational system and the lack of a sufficient number of professional schools. In effect, the literacy rate is estimated to be around 70 per cent.[65] Studies by the International Labour Organisation and the World Bank have indicated that Saudi schools have failed to adequately educate students for future jobs.[66] 'Poor teaching methods, coupled with a lack of qualified teachers, remains the major weakness of the system.'[67] Only elementary education in the Kingdom is compulsory and just one-third of students pass from primary to intermediate education. Half then go on to secondary education and half again to university.[68] Attendance in schools is low, especially in the countryside, and the dropout rate is high. It was estimated that during the period of the Sixth Development Plan (1995-2000), 28 per cent of new Saudi entrants in the labour market were dropouts of elementary schools who lacked the basic skills even for entry level jobs.[69] During the previous Plan, about 50 per cent of new labour entrants held qualifications below the primary level.[70] Free university studies, the stipends received and a lack of course distribution requirements pamper students and diminish the efficiency of the system. Moreover, the educational system is biased in favour of more traditional types of education. It was designed to fit the needs of the public sector and has not been preparing students to face the challenges of the private sector. In particular, most students specialise in social studies.

One of the reasons for that situation in the educational system is that the Ministry of Education, at least until 1996, did not receive sufficient funding to keep abreast with the rise of the population. The situation changed, however, in 1997, when the allocation for education went up by 51 per cent. This, for example, enabled the Ministry to plan an increase in the enrolment in technical schools of more than 100 per cent by the year 1999 as compared to 1994, and a 60 per cent increase in vocational schools.[71]

Women's education has been regulated in the Kingdom by a special set of rules. It is not under the jurisdiction of the Ministries of Education and Higher Education as is male education, but under the separate General Presidency for Girls' Education. This institution has a lower prestige than the Ministry and it is also influenced by conservative clerics. This situation has meant that a lower budget has usually been allocated for women's education, the curricula in women's schools have had less emphasis on academic subjects and women have not been given the opportunity to study certain disciplines (such as architecture, engineering or pharmacy). Despite these obstacles, the number of women's educational institutions as well as the number of women students has been steadily growing, their illiteracy rate has substantially declined, and they consistently do better on standardised school tests and achieve higher grades than their male counterparts.[72]

In coming to realise the importance of the proper preparation of nationals to meet the requirements of the market, the government has been developing vocational training. The General Organisation for Technical Education and Vocational Training has been established, and in 1998 it ran some 30 Vocational Training Centres for men aged 18-45 with at least fifth-grade education, eight Pre-vocational Training Centres designed for school drop-outs, over 30 secondary industrial and commercial institutes for intermediate school graduates, and eight Technical Institutes, comparable to two-year colleges.[73] Students of all these schools receive stipends and other allowances, often depending on the results obtained to encourage them to work hard. Graduates with some work experience are obtaining loans to start their own businesses. Up to the year 1998, the GOTEVOT institutions have produced almost 200,000 graduates who are prepared for work in the building industry, agriculture and commerce.

To develop corporate training schemes, regulations were introduced requiring any industrial establishment employing more than 100 people to organise training for at least 5 per cent of its employees every year. Several large companies, such as ARAMCO, Saudi American Bank, Saudia Airlines and SABIC, have been running such programmes for many years. Moreover, Chambers of Commerce and Industry are developing their own training programmes for nationals. 'Career weeks' are also organised to create a forum for major industries, government and school graduates to discuss job opportunities.

The demand for skilled Saudis in virtually all fields has been very high, but there are still relatively few of them whose qualifications can be compared with those of expatriates. Nevertheless, young Saudis are often hired by private establishments just to satisfy corporate quotas to participate in contractual bidding. On the other hand, firms often claim that the government's commitment to Saudisation is not sufficiently reflected when contracts are awarded; they are usually won simply by the lowest bidder which cannot be a company where more expensive nationals are employed in large numbers instead of expatriates. The International Monetary Fund also criticises the government approach, which tries to encourage private sector employers to take nationals simply by making foreign labour more expensive to hire, as this can only damage Saudi competitiveness.[74]

Nonetheless, certain changes for the better have taken place. The younger generation began to accept jobs that traditionally have been rejected by their fathers. For example, Saudi youths have started taking various jobs at hotels and restaurants.

UAE

The UAE has the lowest percentage of nationals in the workforce among GCC states, recently around 9 per cent, as a result of a small indigenous population and the scale of its development plans requiring large numbers of foreign manpower. In the Emirates, as in other oil monarchies, most nationals work for the public sector or for semi-state institutions. Nevertheless, even there nationals constitute a relatively small percentage of the workforce, accounting for 41 per cent in the government sector in 1997. For example, 40 per cent of the employees of the general Postal Authority are nationals, while the figure for the Telecommunication Company Etisalat is 24 per cent.[75] In turn, 28 per cent of teachers and staff in the public schools system are nationals.[76] Similarly, at the UAE University in Al Ain nationals constitute only 25 per cent of the faculty.[77] A low number of nationals work in broadcasting and print media. The Minister of Information and Culture, Sheikh Abdullah bin Zayed Al Nahyan, revealed, during the session of the Federal National Council in 1998, that only 50 per cent of people working in the Ministry were nationals, 20 per cent in the Radio and TV Corporation, and an even smaller proportion in the official newspapers.[78] The Minister stated that, within the English-language press, the only nationals on the papers were the owners themselves. Only a few government departments have

succeeded in localising most of their staff. The situation is much worse in the private sector, where nationals constitute less than 8 per cent of the workforce. For example, out of 42,000 engineers working in the private companies in 1998, only 120 were nationals, despite the fact that at the same time there were some 2,500 qualified national engineers in the country.[79]

Owing to the UAE's wealth and the rapid expansion of the country's administration and economy, the full employment of nationals did not create any problems for a long period of time. Only in the 1990s, when an increasing number of young UAE citizens began to enter the labour market, did the question of shortage of available jobs surface. The Ministry of Labour and Social Affairs reported in 1997 that 6.3 per cent of national labour force was unemployed.[80] *Jane's Intelligence Review* has estimated that unemployment among nationals has reached a high of 15 per cent, that is, 15,600 people.[81] The problem may worsen in the future as it will be difficult for the government to find the 200,000-300,000 new jobs needed for school graduates in the next decade without jeopardising the efficiency of the workforce by excluding expatriates.

The majority of young nationals would like to work, although most of them are negatively disposed to private sector employment. In the survey conducted among UAE students in 1998, 95 per cent of national women and 92 per cent of men planned to be employed after completing their studies, but 65 per cent of them did not want to work in the private sector because of low salaries, few benefits, long hours and split shifts.[82] Experts also cited other obstacles to the employment of nationals in the UAE's private sector: their lack of adequate knowledge of the English language and not studying subjects at schools connected with the market's needs.

The UAE authorities have started to tackle these issues in a variety of ways. A number of high-ranking bodies have been established through the years, including the Higher Committee for Human Resources Planning, the Higher Committee for Population Strategy and the National Centre for Labour Force Development Planning. Finally, in 1998, the Public Authority for National Development and Employment, chaired by the Minister of Labour and Social Affairs, was also instituted. Its main goal has been to initiate and co-ordinate all actions related to the localisation of the workforce, among them to launch the Labour Market Information System to advise nationals on emerging job opportunities in the private sector. Several proposals have been discussed to increase the employment of nationals in the private sector as the already over-

staffed Civil Service is no longer able to absorb all those looking for jobs. For example, in 1999, for every government vacancy there were 150-200 nationals applying.[83] The first decision made applied to the banking sector dominated by Indians and Pakistanis where, in 1997, nationals accounted for only 7 per cent of the total workforce.[84] Starting in 1999, all banks have to raise national employment by 4 per cent a year to reach 40 per cent in a decade. Banks will also be required to implement new salary criteria, defining minimum wages to be offered to nationals, as well as insurance schemes and other services designed for them. In other fields, the right to present cases in the country's courts was already limited to national lawyers and all fishing boats were required to have national captains.

Although the labour law of 1980 granted priority in recruiting manpower in the private sector to nationals, it was never enforced. The current government's policy towards this issue was presented in 1998 by the Minister of Labour and Social Affairs, Matar Humaid Al Tayer. He stated that 'private companies will not be compelled to employ a quota for nationals'.[85] Instead, the Ministry 'will continue suggesting that nationals be employed whenever the company applies for work permits'. 'Employers will have to prove that there is no national who could fill the posts for which they want to recruit an expatriate and „the lack of experience" excuse will not be accepted'. In practice, the Labour Ministry has begun to require private companies to provide detailed data about their employees and conduct field surveys to confirm their labour needs. On the other hand, private companies that employ national job seekers have been granted certain privileges, such as expedited decisions for work permits requested by them.

To help secure jobs for nationals, the government established employment departments in all the emirates. Nevertheless, in the first year of operation, 1997, they succeeded in finding employment for only 105 nationals out of 1,800 recommendations that were made to private companies.[86] The similar Zayed Employment Project, sponsored by the President of the country himself, has been more successful. During the first three years of its operation -1995-98 - the Project has found employment for 8,288 nationals, placing 1,329 of them in the private sector.[87]

The major problem in employing nationals in the private sector is, as elsewhere, the lack of appropriate skills and a suitable work ethic as well as the inadequate salaries offered. Thus, the

government plans to establish a special fund for training nationals which will be financed by imposing levies on employers for every non-national they employ in their companies. Such a fund will also help to cover the difference in salaries paid to nationals in the private sector as compared to government establishments (the proposal recommends an extra allowance accounting for one-third of the basic salary). Special allowances will be paid by the Fund to nationals during their training and probationary period. In addition, the Fund plans to offer loans or grants to nationals who want to establish small businesses. Proposals are under discussion to provide all school graduates with stipends until they find employment. The authorities are also considering fixing minimum wages for nationals in the private sector and removing through governmental decisions such obstacles to the localisation of this sector as long working hours and limited benefits. Finally, in 1999, the General Authority for Pensions and Social Security was formed to look after the welfare of nationals; especially those employed in the private sector. Under the new law, nationals employed in federal departments and the private sector would be eligible for similar retirement benefits as well as entitlements in cases of injury, total disability and death. The authorities believe that this scheme will attract more nationals to jobs in the private sector.

The UAE educational system, although relatively good, needs to be further improved to serve well its role in the development of the country. A large part of the national population is still in need of education; 34 per cent of men have no formal education at all and only 6 per cent have some university education.[88] Public schools often do not adhere to international standards. During the session of the Federal National Council in May 1998, most of its members criticised the 'under-capitalisation of the government schools and their inferior facilities, mediocre teaching staff and outdated curricula'.[89] The government is trying to improve this situation, although its efforts are often hampered by the financial constraints of the federal budget. In the 1990s, the UAE had spent annually only about 2 per cent of its GDP on education - much less than, for example, South-East Asian countries or, for that matter, Kuwait (where allocations for education are about 6 per cent).[90] Nevertheless, a separate Ministry of Higher Education and Research was established in 1993 as well as a number of new schools with high standards of teaching and curricula directly related to the country's need. In particular, the Faculty of Medicine and Health Sciences at the UAE University, the Higher Colleges of Technology and Zayed University were opened, with programmes based on reputable Western schools, with English as a medium of

teaching and staff from English-speaking countries. Many of these schools began to develop relations with local businesses to understand the needs of the market better and to help find proper employment for their graduates. The Centre of Excellence for Applied Research and Training established in the Abu Dhabi Men's College serves as a good example of the benefits that such co-operation can bring. Several private colleges and universities, which were opened in the 1990s, also improved the situation on the educational market. Most of the new schools are job-orientated, like the Dubai Polytechnic established by the Chamber of Commerce and Industry, Ajman University of Science and Technology, the Etisalat Engineering College in Sharjah and two medical colleges in Dubai and Ajman. Nevertheless, at 13 per cent, the ratio of students registered in natural and applied sciences in higher education is well below those in many developing countries, including some GCC states (in Kuwait about 29 per cent students study these subjects).[91]

Efforts are also being made to upgrade technical education at the secondary school level. The Ministry of Education aims to train nationals to take up to 20 per cent of the technical, service and administrative jobs by the year 2015. New technical schools are planned, some in co-operation with Germany. Moreover, the People's Heritage Revival Association launched a National Occupational Project through which 11 vocational training centres have been established throughout the Emirates. The programmes offered by them help to develop skills that can generate income, keep youth busy during leisure time, provide training for the disabled (which accounts for 10 per cent of society) and for prisoners. Specialised training centres for nationals are also operated by several major companies, such as oil firms, the Emirates Telecommunication Corporation and the Gulf Aircraft Maintenance Company. Chambers of Commerce and Industry organise various types of training programmes as well.

Despite all these efforts, the federal Ministry of Planning expects that localisation of the workforce will be slow, increasing by only some 3 per cent in the next two decades, to reach 12.7 per cent by the year 2015.[92]

ENDNOTES

[1] A major problem for any study of this kind is the lack of accurate and verifiable data. Detailed, official demographic statistics for the GCC countries are often not available, either because the relevant figures were never collected or because they were not released by authorities due to political and security concerns. For the discussion of this issue see Andrzej Kapiszewski, *Native Arab Population and Foreign Workers in the Gulf States* (Krakow, Poland, Universitas Press, 1999), pp. 36-37 and 62.

[2] See, for example, *The GCC Demographic Report 1998*, pp. 33-74.

[3] Michael E. Bonine: 'Population growth, the labour market and Gulf security', in David E. Long and Christian Koch (eds.), *Gulf Security in the Twenty-first Century* (Abu Dhabi, The Emirates Centre for Strategic Studies and Research, 1997), p. 255.

[4] Ibid., pp. 257-60.

[5] As in other instances, due to the lack of reliable data, some figures in this table are estimates only. In particular, figures for Saudi Arabia are debatable.

[6] Kapiszewski: *Native Arab Population*, pp. 90-95

[7] Bonine: 'Population growth', pp. 257-60.

[8] Quoted from Sharon Stanton Russell, 'Migration and political integration in the Arab world', in Giacomo Luciani (ed.), *The Arab State* (Berkeley, University of California Press, 1990), p. 388.

[9] *Akhbar Al Khaleej*, 6 June, 1997.

[10] Kapiszewski: *Native Arab Population*, pp. 50-52.

[11] Ibid., pp. 94-95.

[12] KUNA, Oct. 20, 1998.

[13] *Selected Social Trends in the ESCWA Region* (New York, United Nations, 1997), p. 95.

[14] The Economist Intelligence Unit (thereafter EIU) *Bahrain. Country Profile 1996-97*, pp. 10-11; EUI, *Kuwait. Country Report* (2nd quarter 1997), pp.

18-19; Oman - Ministry of Development, *Statistical Yearbook 1997*, Table 2.4, p. 81; Qatar - *Annual Statistical Abstracts 1993*, p. 64; EIU *Saudi Arabia 1997*, p. 65; United Arab Emirates - *Al Ittihad*, 4 Dec., 1997.

[15] Kapiszewski: *Native Arab Population*, p. 101.

[16] As reported in *Gulf News*, 26 Feb. 1997.

[17] *Gulf News*, 12 Dec. 1997.

[18] *Emirates News*, 16 June 1997.

[19] UNESCO, *World Education Report* (Paris, 1998).

[20] *Selected Social Trends in the ESCWA Region*, p. 83.

[21] *Khaleej Times*, 22 Feb. 1998.

[22] Quoted in Hamoud Salhi, 'Fixing the education system to meet needs', *Gulf News*, 6 June 1998.

[23] The only exceptions have been some private schools, often run by Westerners, who operate under international standards.

[24] Munira A. Fakhro, 'The impact of education and vocational training on female employment in the Gulf states', paper presented at the University of Exeter conference on 'Human Development in the Arab Gulf' (July 1998), p. 2.

[25] Ministry of Labour and Social Affairs, *Arab News*, 5 Oct. 1997.

[26] Erik R. Peterson: *The Gulf Co-operation Council: Search for Unity in a Dynamic Region* (Boulder, Colorado, Westview Press, 1988), p. 172.

[27] *Emirates News*, Dec. 10, 1998.

[28] The Emirates News Agency WAM, 28 April, 1999.

ENDNOTES (appendix)

[29] *Bahrain Analysis*, Oct. 1996, p. 7.

[30] Anthony H. Cordesman, *Bahrain, Oman, Qatar, and the UAE. Challenges of Security* (Boulder, Colorado, Westview Press, 1997), p.79. The government's figures are much lower: 2.4 per cent of the total workforce and 6 per cent among nationals. EIU *Bahrain. Country Report* (2nd quarter 1999), p. 15.

[31] *Khaleej Times*, 30 Sept. 1997.

[32] *Khaleej Times*, 11 June 1998.

[33] *Khaleej Times*, 2 Feb. 1998.

[34] *Gulf Report*, July 1997, p. 3.

[35] For example, Planning Minister Ali al-Moussa stated in June 1999 that unemployment among Kuwaitis was around 1.2 per cent. Reuters News Agency, 30 June, 1999.

[36] EIU *Kuwait. Country Report* (1st quarter 1997), p. 18.

[37] *The Washington Report on Middle East Affairs*, (March) 1999, p. 74.

[38] EIU *Oman. Country Profile 1997-98*, 1997, Table 9, p. 45.

[39] *Gulf News*, 4 June1999.

[40] Royal Decree No.1/96, *Official Gazette*, Jan. 1996.

[41] *Gulf News*, 5 May 1998.

[42] *Gulf News*, 5 May 1998.

[43] EIU, *Oman. Country Report* (4th quarter 1998), p. 13.

[44] Reuters, 25 June, 1999.

[45] Asya Mohamed Suleiman Al-Lamky, *Higher Education in Oman: Perceptions of University Graduates in the Context of Dependent Development, 1970-1990* (PhD thesis, The George Washington University, 1992), p. 216.

[46] Fawzia Al-Farsi: 'Omanisation and faculty development in Sultan Qaboos University', in K. E. Shaw (ed.), *Higher Education in the Gulf. Problems and Prospects* (Exeter, University Press, 1997), p. 190.

[47] *Emirates News*, 10 Oct. 1997.

[48] EIU *Oman. Country Report* (1st quarter 1998).

[49] *Khaleej Times*, 23 March 1998.

[50] See Brian Scudder, 'Qatarisation: a slow march', *Gulf Business*, Nov. 1996, p. 45.

[51] As quoted by Anders Jerichow, *The Saudi File. People, Power, Politics* (Richmond, Curzon Press, 1998).

[52] Gene Lindsey, *Saudi Arabia* (New York, Hippocrane Books, 1991), p. 237.

[53] Ismail A. Sirageldin, Naiem A. Sherbiny and M. Ismail Serageldin, *Saudis in Transition. The Challenges of a Changing Labour Market* (Oxford, University Press, 1984), pp. 58-9.

[54] *Arab News*, 4 May 1998.

[55] Mona Al Munajjed, *Women in Saudi Arabia Today* (London, Macmillan Press, 1997), p. 88.

[56] *Arab News*, 15 June, 1999.

[57] Abdulrahman Suliman Alturaigi: *Towards Strategic Planning for Indigenising Workforce in the Saudi Arabian Private Sector* (PhD thesis, University of Missouri-Rolla, 1997), p. 93.

[58] *Fifth Five-Year Plan*, Riyadh, 1990, quoted after Peter W. Wilson and Douglas F. Graham, *Saudi Arabia. The Coming Storm* (New York, M.E. Sharpe Books, 1994), p. 255.

[59] EIU *Saudi Arabia. Country Report* (2nd quarter 1997) and the Gulf Centre for Strategic Studies report, *Al Qabas*, 3 Oct. 1997. In turn, *Alam Al Iqtisad* (July 1998) predicted that until the year 2000, unemployment of nationals will remain on the same level as in 1995, that is 13.2 per cent (p. 22). Reuters on 24 June 1999, quoted a Saudi University professor who put the unemployment in the Kingdom at 27 per cent.

[60] H. A. Al- Towajri, *The Labour Market in Saudi Arabia: Family Effects, Compensating Wage Differentials, and Selective Bias* (PhD D thesis, University of Oregon, 1992), p. 9.

[61] *Saudi Arabia 1997*, Business Monitor International, p. 63.

[62] *Arab News*, 27 Dec. 1997.

[63] *Arab News*, 18 May 1998.

[64] Khalid Saad Bin Saeed, 'Saudisation: preparing the people', *Arab News*, 13 Feb. 1998.

[65] Alturaigi: *Towards Strategic Planning*, p. 79.

[66] Anthony H. Cordesman: *Saudi Arabia. Guarding the Desert Kingdom* (Boulder, Colorado, Westview Press, 1997), p. 72.

[67] Alturaigi: *Towards Strategic Planning*, p. 85.

[68] Saudi Development and Training Co. Quoted after Mai Yamani, 'The new generation in the GCC: the case of Saudi Arabia', in Rosemary Hollis (ed.), *Oil and Regional Developments in the Gulf* (The Royal Institute of International Affairs, London, 1998), p.145.

[69] Alturaigi: *Towards Strategic Planning*, p. 80.

[70] Ibid.

[71] EIU *Saudi Arabia. Country Profile 1995-96*, pp. 23-4.

[72] Wilson and Graham: *Saudi Arabia*, pp. 240-4.

[73] *Arab News*, 21 Feb. 1998.

[74] EIU *Saudi Arabia. Country Report* (2nd quarter 1997), p. 16.

[75] EIU *United Arab Emirates. Country Report* (2nd quarter 1998), p. 17.

[76] *Al Khaleej*, 4 Jan. 1998.

[77] *Emirates News*, 3 June 1998.

[78] *Khaleej Times*, 25 March 1998.

[79] *Gulf News*, 11 May 1998.

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[82] Graddon Rowlands, *Attitudes of Nationals to the Private Sector* (Abu Dhabi Women's College, 1997).

[83] *Khaleej Times*, 20 April, 1999.

[84] *Gulf Today*, 15 May 1998.

[85] *Gulf News*, 14 Oct. 1997.

[86] *Gulf Today*, 11 Jan. 1998.

[87] *Emirates News*, 25 Aug. 1997.

[88] The National Bank of Dubai, *Economic Report* (June 1999), p. 3.

[89] *Emirates News*, 25 Feb. 1998.

[90] The National Bank of Dubai, *Economic Report* (Sept. 1998).

[91] Ibid.

[92] *Emirates News*, 4 April 1990.